

15G - HOUSING AND COMMUNITY SERVICES

Operational Summary

Mission:

To work in partnership with and advocate for Orange County's diverse communities, improve lives by supporting and providing needed community services, strengthen economic viability, and preserve and expand affordable housing opportunities; thereby enhancing the quality of life for our community.

Strategic Goals:

- Increase and preserve affordable housing opportunities, especially for those most in need.
- Enhance the livability of the County's target neighborhoods.

Key Outcome Indicators:

At a Glance:

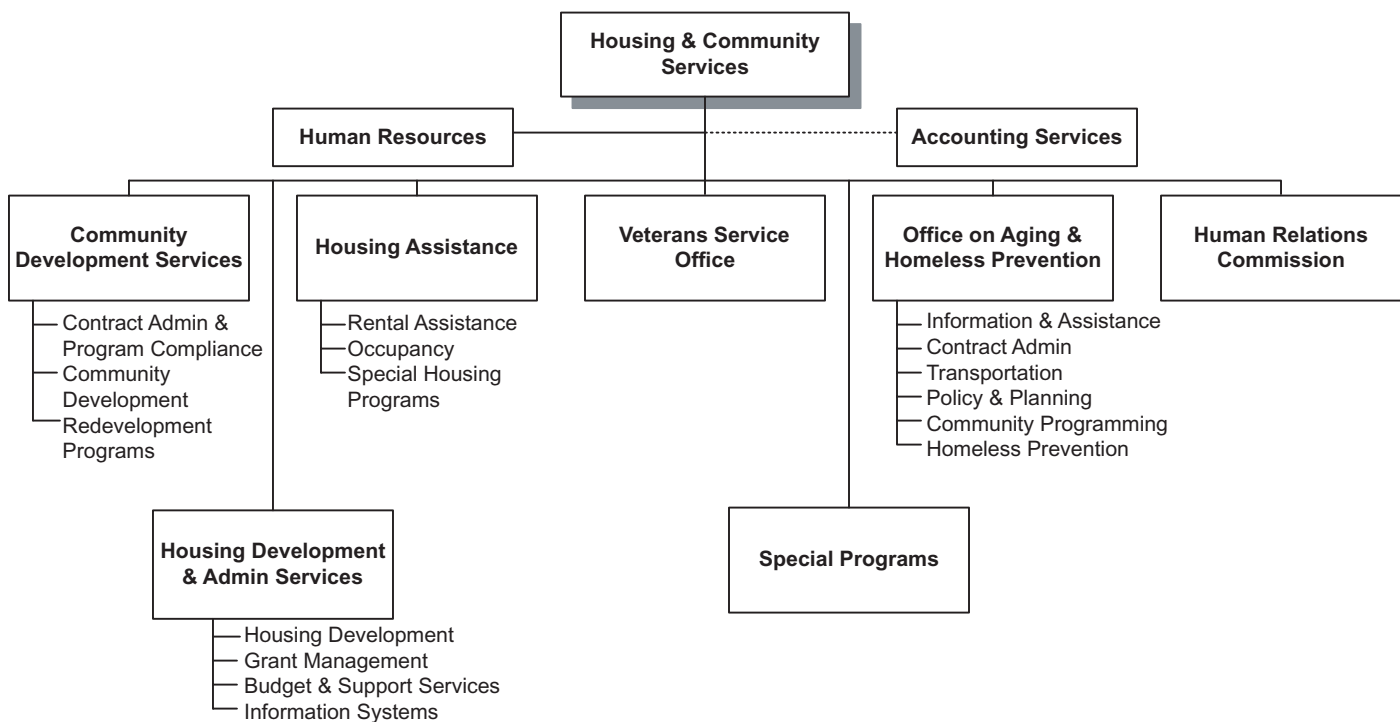
| | |
|---|------------|
| Total FY 2005-2006 Projected Expend + Encumb: | 16,847,648 |
| Total Recommended FY 2006-2007 | 38,254,977 |
| Percent of County General Fund: | N/A |
| Total Employees: | 142.00 |

| Performance Measure | 2005 Business Plan Results | 2006 Business Plan Target | How are we doing? |
|--|---|--|--|
| REDUCE PERCENT OF AFFORDABLE HOUSING NEEDED AS IDENTIFIED BY THE REGIONAL HOUSING NEEDS ASSESSMENT What: Includes providing monthly housing assistance and creating new affordable housing units. Why: Increasing affordable housing units helps bridge the gap in housing costs for certain incomes. | HCS achieved record lease up of vouchers to assist 9,600-10,000 households in paying their rent each month; and closed 5 multifamily housing loans totaling over \$4.3 million and 288 units of affordable housing. | HCS anticipates closing 3 multifamily affordable housing projects, issue one NOFA for \$5 million, and submit an application to HUD for additional Section 8 rental assistance vouchers, if available. | Since 2000, HCS increased the number of households leased with vouchers by over 2,500. HCS expects to produce approximately 1955 units or \$336 million of affordable housing construction with a County investment of \$30 million. |
| MEASURE THE LEVEL OF COMMUNITY SATISFACTION WITH NEIGHBORHOOD IMPROVEMENT AND REHAB PROJECTS. What: The effect of rehabilitation efforts on a neighborhood in terms of community satisfaction. Why: Home and neighborhood enhancement contributes to higher levels of community satisfaction and pride. | HCS completed the rehabilitation of 39 housing units; ADA improvements at the regional Justice centers; street improvements in the City of Stanton, Cypress Acres, and El Modena; new water main, service laterals and fire hydrants; sewer improvements and improvements to two Community Centers. | HCS targets include providing low interest loans and grants through the Neighborhood Preservation Program to repair over 30 mobile and single family homes for seniors and working families countywide and completing the construction of 5 public works projects worth over \$250k in capital improvements. | HCS is doing well as it continues to revitalize the unincorporated communities with the goal of eventual annexation of all County islands. |

FY 2005-06 Key Project Accomplishments:

- Provided monthly rental assistance to more than 9,500 households in Housing Choice Voucher program and to over 330 disabled/homeless households in the Shelter Plus Care Program
- Completed rehabilitation of 39 housing units; ADA improvements at the regional Justice Centers (Central, North, West, and Harbor); street improvements in the Cities of Stanton, Cypress Acres, and El Modena; storm drain improvements, new water main, service laterals, and fire hydrants; sewer improvements, and improvements to two Community Centers.
- Participated in two grand openings for affordable rental housing that will provide 166 new units of affordable housing in Orange County.
- Coordinated with public and private agencies to secure over \$11.3 million in federal, state, and local resources, which were used to preserve the operation of existing homeless shelters, construct and operate new homeless shelters, and provide educational services for homeless children and youth.
- Continued to successfully administer and monitor the Community Development Block Grant Program including processing \$4,772,731 in reimbursements and successful program monitoring of subrecipients in order to meet HUD guidelines.

Organizational Summary



..... Auditor-Controller Staff

Executive Administration - Plans, organizes, administers and directs all functions related to the implementation of policies, programs and projects developed under legal authority granted to the Orange County Housing Authority, Community

Development Block Grant and other similar federal, state and Orange County Development Agency funded programs. This activity includes Human Resources which is responsible for establishing an appropriate framework within the department so it can competitively attract and retain the best qualified employees while meeting appropriate laws and regulations and provides assistance in employee relations to ensure personnel standards and quality assurance.

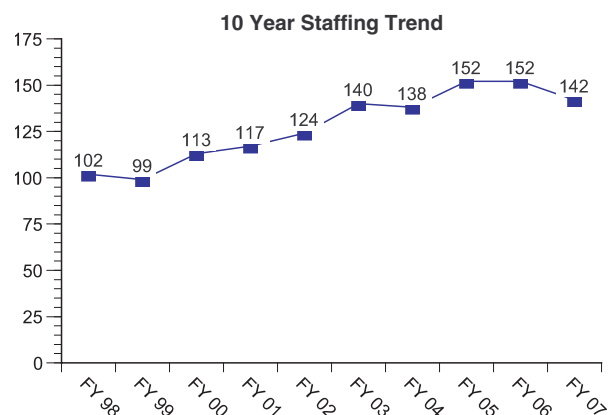
In March 2002, the Homeless Prevention Program was shifted from the CEO to HCS. As a result, HCS now centrally coordinates the preservation and expansion of the County's Continuum of Care System for the Homeless. Major components of focus include: 1) Homeless Prevention; 2) Outreach and Assessment; 3) Emergency Shelter; 4) Transitional Housing; 5) Supportive Services; and 6) Permanent Supportive Housing. In the FY 04-05 Budget, this program was moved from Fund 15G to Fund 100 at Agency 012.

Community Development Services - The Administrative & Community Development Services Division oversees departmental community relations activities as well as revitalization activities such as public works, infrastructure improvements, and housing rehabilitation. This Division also administers sub contracts funded through the CDBG, HOME, ESG, and NDAPP. Additionally, this Division is responsible for environmental services, purchasing, facilities management, budget, payroll, petty cash, computer services, and general support services. It is also responsible for overall HCS program compliance. The Division performs audit, compliance and legal notification procedures required by HUD for the department.

Housing Development & Administrative Services - The Housing Finance & Policy division oversees new housing development in the creation of multi-family rental, transitional, and home projects for lower income households. This Division is responsible for legislative analysis and grants management. Grants Management includes the Application Review and Homeless Assistance Programs application processes, which are competitive processes by which funding is allocated to projects.

Housing Assistance - The Housing Assistance Division performs the operations of the Housing Authority. The Housing Authority is responsible for the disbursement of approximately \$95 million in housing subsidies annually, which is not reflected in the County's budget figures. In addition, the Housing Assistance Division operated special programs such as Family Self-Sufficiency, Family Unification, and the special needs homeless individuals or families under the HUD Continuum of Care Program.

Ten Year Staffing Trend:



Ten Year Staffing Trend Highlights:

- Prior to FY 97/98, the former H&CD was a division of EMA with all of the associated positions budgeted in EMA's budget.
- H&CD staff expanded in FY 99/00 due to an organizational assessment performed by the CEO and an outside consultant. Staff was added to the following sections: 13 to the Housing Assistance activity and 1 to the Program Support activity.
- H&CD staff increased by 4 in FY 00/01 due to the expansion of the Shelter Plus Care program (1), and the creation of CalWORKs program (3). Both of these programs are in the Housing Assistance Division.
- In FY 01/02 H&CD staff increased by 7 due to an award of 740 additional housing vouchers for the Section 8 program. Six staff members were added to the Housing Assistance section and 1 was added to the Program Support section.
- In September 2001 H&CD staff increased by 19 full time positions (12 new & 7 converted from extra help). This increase was due to an award of 820 additional housing vouchers for the Section 8 program and the implemen-

tation of a successful in-house inspection program. Hiring staff to perform annual inspections became more cost-effective than using a contractor. 17 of the staff members were added to the Housing Assistance section and 2 were added to the Administrative & Community Development Services section.

- In FY 02/03 4 positions were deleted due to the rising costs of staff, the slight decline in block grant funding and the fixed amount of administration fees received from the Federal Government to administer programs such as the Section 8 program.
- Due to the rising costs of staff and the fixed amount of administrative fees received from the Federal Government, it was necessary for HCS to analyze work assignments, positions and position levels in the FY 03/04 Budget. As a result, a net of five positions were deleted. Three of the positions were filled with limited term employees, one of the positions was vacant and one was vacated when the incumbent was promoted to another position. An additional position was deleted but was offset by an addition of a position to resolve a classification issue.
- As a result of the merger between CSA and H&CD, HCS has committed to analyzing each program area within all areas of the organization for efficiencies, regardless of funding source, in an effort to reduce costs. HCS moved seven positions from agency 012 into fund 15G in the FY 04-05 budget. During FY 03-04, CEO transferred an Administrative Manager II from CEO/Strategic Affairs to HCS to oversee redevelopment and planning activities. Also during FY 03-04, HCS received six new positions to augment the growing Section 8 Rental Assistance Voucher Program. With the transfer of the Homeless Coordinator to agency 012, 15G added a net of 13 positions during the FY 04-05 budget process.
- Due to federal CDBG funding cuts and increases in employee retirement cost, HCS needed to eliminate 10 positions out of the FY 06-07 budget. The Housing Development and Administrative Services Division is eliminating 7 positions and the Community Development Services Division is eliminating 3 positions. All of the proposed deletions are vacant positions, so they will not result in any layoffs.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Affordable housing development continues to be one of the Board of Supervisors' Top 10 Strategic Priorities. HCS continues to explore and commit all eligible funding to increase affordable housing opportunities in the County. Currently, HCS has allocated over \$30 million for affordable housing development in Orange County from Federal HOME and CDBG monies, Redevelopment funding and Housing Authority Operating Reserves. HCS will continue to solicit and support affordable housing projects through Requests for Proposals (RFP) and Notice of Funding Availabilities (NOFA). The goal of the RFPs and the NOFA process is to promote the development of permanent affordable rental housing for Orange County's very-low and low-income households by providing favorable financing.

Changes Included in the Recommended Base Budget:

In FY 06-07, Housing and Community Services (HCS) will face a reduction in federal revenues while experiencing substantial increases in employee costs. The Department is losing \$1.1 million in federal CDBG funding while employee retirement costs increased by 46%. As a result, HCS needs to eliminate 10 regular positions and reduce various service and supply costs in the FY 06-07 budget. In addition, Fund 15G will use an Operating Transfer of \$300,000 from Fund 117 to balance the Housing Assistance Program's operating costs.

Fund 15G continues to project a negative fund balance which is due in part, to the reimbursement nature of this fund and to multi-year projects which are budgeted and encumbered at 100% in the first year. Examples of projects budgeted this way include those funded by the SuperNOFA Homeless Assistance grant process and the block grant programs.

In addition, Divisions within Fund 15G were reorganized in FY 2005-2006. The FY 2006-2007 budget and budget summaries for the new Divisions (Community Development Services and Housing Development and Administrative Services) reflect these changes.

Proposed Budget History:

| Sources and Uses | FY 2004-2005 | FY 2005-2006 | FY 2005-2006 | FY 2006-2007 | Change from FY 2005-2006 | |
|--------------------|--------------|-------------------------|--|--------------|--------------------------|---------|
| | Actual | Budget As of 3/31/06 | Projected ⁽¹⁾ At 6/30/06 | Recommended | Projected Amount | Percent |
| Total Positions | 152 | 152 | 152 | 142 | (10) | -6.58 |
| Total Revenues | 16,621,027 | 38,497,131 | 17,487,197 | 38,254,977 | 20,767,780 | 118.76 |
| Total Requirements | 18,029,109 | 38,497,131 | 18,174,189 | 38,254,977 | 20,080,788 | 110.49 |
| Balance | (1,408,082) | 0 | (686,992) | 0 | 686,992 | -100.00 |

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2005-06 projected requirements included in "At a Glance" (Which exclude these).

Columns may not total correctly due to rounding.

Detailed budget by expense category and by activity is presented for agency: Housing and Community Services in the Appendix on page A174

Highlights of Key Trends:

- Over the past decade, the County has experienced a shortage of affordable housing which is impacted by a variety of factors including the availability of land, affordable housing funds, political will, and the real estate market. The development and preservation of affordable housing is challenged by rising housing costs, lack of appropriately zoned land, increased market demands, and community resistance which combine to shrink the supply of affordable housing units and price low income residents out of the market. Despite these factors, HCS will continue to pursue its goal of increasing and preserving affordable housing opportunities for lower income Orange County residents.
- In 2004, HUD changed its allocation method for funding Housing Authority's administration costs which reduced the Housing Assistance Program's operating revenues. This reduction in Administration fees coupled with increased employee retirement costs has resulted in a projected operating deficit of \$250,000 - \$300,000. The operating deficit will be covered by Housing Authority operating reserves, which are the result of excess administrative fees in previous years. The operating reserves were established for the purpose of covering operating deficits and late Housing Assistance Payments from HUD.
- HCS continues its goal of improving the livability of the County's unincorporated neighborhoods. This goal is met by providing low-interest loans to eligible home owners for home rehabilitation, developing education and community programming for large areas, and effectively communicating these improvement programs to these neighborhoods.

Budget Units Under Agency Control:

| No. | Agency Name | Executive Administration | Community Development Services | Housing Development & Administrative Services | Housing Assistance | Total |
|-----|---|--------------------------|--------------------------------|---|--------------------|------------|
| 012 | Community Services Agency | 14,110,509 | 0 | 0 | 0 | 14,110,509 |
| 117 | O.C. Housing Authority - Operating Reserves | 1,822,221 | 0 | 0 | 0 | 1,822,221 |
| 123 | Dispute Resolution Program | 807,660 | 0 | 0 | 0 | 807,660 |
| 124 | Domestic Violence Program | 1,028,787 | 0 | 0 | 0 | 1,028,787 |

Budget Units Under Agency Control:

| No. | Agency Name | Executive Administration | Community Development Services | Housing Development & Administrative Services | Housing Assistance | Total |
|-----|---------------------------------------|--------------------------|--------------------------------|---|--------------------|------------|
| 146 | Workforce Investment Act | 13,777,051 | 0 | 0 | 0 | 13,777,051 |
| 15G | Housing and Community Services | 20,763,488 | 5,419,000 | 5,220,603 | 6,851,886 | 38,254,977 |
| 15U | Strategic Priority Affordable Housing | 2,689,823 | 0 | 0 | 0 | 2,689,823 |
| | Total | 54,999,539 | 5,419,000 | 5,220,603 | 6,851,886 | 72,491,028 |

15G - Housing and Community Services

Summary of Proposed Budget by Revenue and Expense Category:

| Revenues/Appropriations | FY 2004-2005 | | FY 2005-2006 | | FY 2005-2006 | | FY 2006-2007 | | Change from FY 2005-2006 | |
|--|-----------------------|--|-------------------|--|--------------------------|--|-------------------|--|--------------------------|-----------------|
| | Actual | | Budget | | Projected ⁽¹⁾ | | Recommended | | Projected | |
| | | | As of 3/31/06 | | At 6/30/06 | | | | Amount | Percent |
| Revenue from Use of Money and Property | \$ 62,397 | | \$ 0 | | \$ 78,297 | | \$ 7,000 | | \$ (71,297) | -91.06% |
| Intergovernmental Revenues | 15,931,471 | | 35,404,704 | | 15,444,102 | | 35,332,310 | | 19,888,208 | 128.78 |
| Charges For Services | 1,399,816 | | 3,056,515 | | 1,339,933 | | 2,662,041 | | 1,322,108 | 98.67 |
| Miscellaneous Revenues | 88,743 | | 1,271,494 | | 67,216 | | 640,618 | | 573,402 | 853.07 |
| Other Financing Sources | 105,382 | | 172,500 | | 270,000 | | 300,000 | | 30,000 | 11.11 |
| Total FBA | (1,166,436) | | (1,408,082) | | (1,408,082) | | (686,992) | | 721,090 | -51.21 |
| Reserve For Encumbrances | 199,655 | | 0 | | 1,695,731 | | 0 | | (1,695,731) | -100.00 |
| Total Revenues | 16,621,027 | | 38,497,131 | | 17,487,197 | | 38,254,977 | | 20,767,780 | 118.76 |
| Salaries & Benefits | 8,973,425 | | 10,055,397 | | 8,615,924 | | 9,544,784 | | 928,860 | 10.78 |
| Services & Supplies | 8,122,005 | | 19,375,284 | | 5,143,279 | | 7,298,352 | | 2,155,073 | 41.90 |
| Other Charges | 800,102 | | 8,845,450 | | 4,350,103 | | 21,411,841 | | 17,061,738 | 392.21 |
| Fixed Assets | 133,577 | | 221,000 | | 64,883 | | 0 | | (64,883) | -100.00 |
| Total Requirements | 18,029,109 | | 38,497,131 | | 18,174,189 | | 38,254,977 | | 20,080,788 | 110.49 |
| Balance | \$ (1,408,082) | | \$ 0 | | \$ (686,992) | | \$ 0 | | \$ 686,992 | -100.00% |

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2005-06 projected requirements included in "At a Glance" (Which exclude these).

Columns may not total correctly due to rounding.

Proposed Budget Summary of Executive Administration:

| Revenues/Appropriations | FY 2004-2005 | | FY 2005-2006 | | FY 2005-2006 | | FY 2006-2007 | | Change from FY 2005-2006 | |
|----------------------------|---------------------|--|-----------------------|--|--------------------------|--|-----------------------|--|--------------------------|-----------------|
| | Actual | | Budget | | Projected ⁽¹⁾ | | Recommended | | Projected | |
| | | | As of 3/31/06 | | At 6/30/06 | | | | Amount | Percent |
| Intergovernmental Revenues | \$ 8,168,646 | | \$ 2,322,948 | | \$ 8,090,501 | | \$ 18,732,044 | | \$ 10,641,543 | 131.53% |
| Charges For Services | 1,202,332 | | 607,242 | | 1,036,311 | | 513,956 | | (522,355) | -50.41 |
| Miscellaneous Revenues | 14,425 | | 0 | | 32,595 | | 0 | | (32,595) | -100.00 |
| Total FBA | (1,166,436) | | (1,408,082) | | (1,408,082) | | (686,992) | | 721,090 | -51.21 |
| Reserve For Encumbrances | 199,655 | | 0 | | 1,695,731 | | 0 | | (1,695,731) | -100.00 |
| Total Revenues | 8,418,622 | | 1,522,108 | | 9,447,056 | | 18,559,008 | | 9,111,952 | 96.45 |
| Salaries & Benefits | 580,549 | | 735,264 | | 718,550 | | 576,683 | | (141,867) | -19.74 |
| Services & Supplies | 1,384,048 | | 1,394,826 | | 1,298,710 | | 1,359,213 | | 60,503 | 4.66 |
| Other Charges | 800,102 | | 800,103 | | 800,103 | | 18,827,592 | | 18,027,489 | 2,253.15 |
| Total Requirements | 2,764,699 | | 2,930,193 | | 2,817,363 | | 20,763,488 | | 17,946,125 | 636.98 |
| Balance | \$ 5,653,923 | | \$ (1,408,085) | | \$ 6,629,693 | | \$ (2,204,480) | | \$ (8,834,173) | -133.25% |

Proposed Budget Summary of Community Development Services:

| Revenues/Appropriations | FY 2004-2005 | FY 2005-2006 | FY 2005-2006 | FY 2006-2007 | Change from FY 2005-2006 | |
|--|-----------------------|-------------------------|--|-------------------|--------------------------|-----------------|
| | Actual | Budget As of 3/31/06 | Projected ⁽¹⁾ At 6/30/06 | Recommended | Projected Amount | Percent |
| Revenue from Use of Money and Property | \$ 62,397 | \$ 0 | \$ 78,297 | \$ 0 | \$ (78,297) | -100.00% |
| Intergovernmental Revenues | 1,497,772 | 12,122,128 | 1,200,000 | 5,126,065 | 3,926,065 | 327.17 |
| Charges For Services | 121,711 | 1,911,955 | 260,290 | 740,272 | 479,982 | 184.40 |
| Miscellaneous Revenues | 74,310 | 29,800 | 34,083 | 19,000 | (15,083) | -44.25 |
| Other Financing Sources | 41,152 | 0 | 0 | 0 | 0 | 0.00 |
| Total Revenues | 1,797,342 | 14,063,883 | 1,572,670 | 5,885,337 | 4,312,667 | 274.23 |
| Salaries & Benefits | 2,567,556 | 3,110,484 | 2,466,416 | 1,293,284 | (1,173,132) | -47.56 |
| Services & Supplies | 5,134,604 | 2,453,266 | 2,581,896 | 1,541,467 | (1,040,429) | -40.30 |
| Other Charges | 0 | 8,045,347 | 3,550,000 | 2,584,249 | (965,751) | -27.20 |
| Fixed Assets | 69,359 | 0 | 64,883 | 0 | (64,883) | -100.00 |
| Total Requirements | 7,771,519 | 13,609,097 | 8,663,195 | 5,419,000 | (3,244,195) | -37.45 |
| Balance | \$ (5,974,177) | \$ 454,786 | \$ (7,090,525) | \$ 466,337 | \$ 7,556,862 | -106.58% |

Proposed Budget Summary of Housing Development & Administrative Services:

| Revenues/Appropriations | FY 2004-2005 | FY 2005-2006 | FY 2005-2006 | FY 2006-2007 | Change from FY 2005-2006 | |
|----------------------------|-----------------------|-------------------------|--|-----------------------|--------------------------|-----------------|
| | Actual | Budget As of 3/31/06 | Projected ⁽¹⁾ At 6/30/06 | Recommended | Projected Amount | Percent |
| Intergovernmental Revenues | \$ 166,863 | \$ 12,474,468 | \$ 53,601 | \$ 2,947,735 | \$ 2,894,134 | 5,399.40% |
| Charges For Services | 75,772 | 537,318 | 43,332 | 1,208,813 | 1,165,481 | 2,689.65 |
| Other Financing Sources | 0 | 52,500 | 0 | 0 | 0 | 0.00 |
| Total Revenues | 242,635 | 13,064,286 | 96,933 | 4,156,548 | 4,059,615 | 4,188.06 |
| Salaries & Benefits | 705,236 | 824,307 | 610,929 | 2,021,470 | 1,410,541 | 230.88 |
| Services & Supplies | 604,907 | 11,286,680 | 209,446 | 3,199,133 | 2,989,687 | 1,427.42 |
| Total Requirements | 1,310,143 | 12,110,987 | 820,375 | 5,220,603 | 4,400,228 | 536.37 |
| Balance | \$ (1,067,508) | \$ 953,299 | \$ (723,442) | \$ (1,064,055) | \$ (340,613) | 47.08% |

Proposed Budget Summary of Housing Assistance:

| Revenues/Appropriations | FY 2004-2005 | FY 2005-2006 | FY 2005-2006 | FY 2006-2007 | Change from FY 2005-2006 | |
|--|------------------|-------------------------|--|------------------|--------------------------|--------------|
| | Actual | Budget As of 3/31/06 | Projected ⁽¹⁾ At 6/30/06 | Recommended | Projected Amount | Percent |
| Revenue from Use of Money and Property | \$ 0 | \$ 0 | \$ 0 | \$ 7,000 | \$ 7,000 | 0.00% |
| Intergovernmental Revenues | 6,098,189 | 8,485,160 | 6,100,000 | 8,526,466 | 2,426,466 | 39.78 |
| Charges For Services | 0 | 0 | 0 | 199,000 | 199,000 | 0.00 |
| Miscellaneous Revenues | 8 | 1,241,694 | 538 | 621,618 | 621,080 | 115,442.38 |
| Other Financing Sources | 64,230 | 120,000 | 270,000 | 300,000 | 30,000 | 11.11 |
| Total Revenues | 6,162,427 | 9,846,854 | 6,370,538 | 9,654,084 | 3,283,546 | 51.54 |

Proposed Budget Summary of Housing Assistance:

| Revenues/Appropriations | FY 2004-2005 | FY 2005-2006 | FY 2005-2006 | FY 2006-2007 | Change from FY 2005-2006 | |
|---------------------------|--------------|-------------------------|--|--------------|--------------------------|---------|
| | Actual | Budget As of 3/31/06 | Projected ⁽¹⁾ At 6/30/06 | | Projected Amount | Percent |
| Salaries & Benefits | 5,120,084 | 5,385,342 | 4,820,029 | 5,653,347 | 833,318 | 17.29 |
| Services & Supplies | 998,446 | 4,240,512 | 1,053,227 | 1,198,539 | 145,312 | 13.80 |
| Fixed Assets | 64,218 | 221,000 | 0 | 0 | 0 | 0.00 |
| Total Requirements | 6,182,748 | 9,846,854 | 5,873,256 | 6,851,886 | 978,630 | 16.66 |
| Balance | \$ (20,321) | \$ 0 | \$ 497,282 | \$ 2,802,198 | \$ 2,304,916 | 463.50% |